



General Assembly

February Session, 2014

Raised Bill No. 5512

LCO No. 2251



Referred to Committee on BANKS

Introduced by:
(BA)

AN ACT CONCERNING PAYDAY LOANS.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (*Effective October 1, 2014*) (a) (1) "Financial institution" means
2 any bank or credit union chartered or licensed under the laws of this state
3 or the United States and having its main office in this state or any similar
4 out-of-state institution having a branch in this state;

5 (2) "Payday lender" means any person who offers or makes a payday
6 loan to a borrower, arranges a payday loan for a third party or acts as an
7 agent for a third party, regardless of whether approval, acceptance or
8 ratification by the third party is necessary to create a legal obligation for
9 the third party; and

10 (3) "Payday loan" means a loan, as defined in section 36a-2 of the
11 general statutes, other than a secured loan, made (A) primarily for
12 personal, family or household purposes, and (B) in accordance with a loan
13 agreement that provides that the borrower writes a postdated check to the
14 lender, authorizes the lender to debit the borrower's account or authorizes
15 the lender to execute a wage garnishment.

16 (b) No payday lender shall:

17 (1) Make or renew a payday loan in this state at a rate of interest that
18 exceeds twelve per cent per annum, excluding a one-time origination fee
19 for a new payday loan;

20 (2) Charge during the term of a new payday loan, including all
21 renewals of the loan, more than one origination fee of ten dollars per one
22 hundred dollars of the loan amount or thirty dollars, whichever is less;

23 (3) Charge the borrower more than one fee, not to exceed twenty
24 dollars, per loan transaction for dishonored checks or insufficient funds,
25 regardless of how many checks or debit agreements the lender obtains
26 from the borrower for the transaction;

27 (4) Make or renew a payday loan for a term of less than thirty-one days;

28 (5) Charge a borrower any fee or interest other than a fee or interest
29 described in subdivisions (1) to (3), inclusive, of this subsection;

30 (6) Include in a payday loan agreement:

31 (A) A hold-harmless clause;

32 (B) A confession of judgment or other waiver of the right to notice and
33 the opportunity to be heard in an action;

34 (C) An agreement by the borrower not to assert any claim or defense
35 arising out of the agreement against the lender or any holder in due
36 course; or

37 (D) An executory waiver or a limitation of exemption from attachment,
38 execution or other process on real or personal property held by, owned by
39 or due to the borrower, unless the waiver or limitation applies only to
40 property subject to a security interest executed in connection with the
41 loan;

42 (7) Conduct a payday loan business where liquor or lottery tickets are

43 sold or where gambling devices, as defined in section 53-278a of the
44 general statutes, are located;

45 (8) Renew an existing payday loan more than two times; or

46 (9) Make a new payday loan to a borrower during the seven-day period
47 after the day a previous payday loan expired.

48 (c) For purposes of this section, a payday loan is made or renewed in
49 this state if the loan is made to a borrower who resides in or maintains a
50 domicile in this state and the borrower:

51 (1) Negotiates or agrees to the terms of the loan in person, by mail, by
52 telephone or via the Internet while physically present in this state;

53 (2) Enters into or executes a loan agreement with the lender in person,
54 by mail, by telephone or via the Internet while physically present in this
55 state; or

56 (3) Makes a payment on the loan in this state.

57 (d) For purposes of this section, a borrower makes a payment on a loan
58 in this state if a payday lender debits an account the borrower holds in a
59 branch of a financial institution or if the borrower makes a payment with a
60 negotiable instrument drawn on an account at a financial institution.

61 (e) Whenever it appears to the Banking Commissioner that any payday
62 lender has violated, is violating or is about to violate this section, the
63 commissioner may take action against such lender in accordance with
64 sections 36a-50 and 36a-52 of the general statutes.

This act shall take effect as follows and shall amend the following sections:		
Section 1	October 1, 2014	New section

Statement of Purpose:

To regulate payday lenders in this state.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]